

SINGLE AUDIT

For The Year Ended December 31, 2007



CALHOUN COUNTY, MICHIGAN SINGLE AUDIT

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YEAR ENDED DECEMBER 31, 2007

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Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2007

Federal Agency/Pass-Through		Pass-Through Grantor # or	Federal
Grantor/Program Title	CFDA #	Agreement #	Expenditures
U.S. Department of Agriculture			
Direct Program			
Food Donation			
Entitlement Commodities	10.550		\$ 5,520
Bonus Commodities	10.550		109
Subtotal - Direct Program			5,629
Passed through Michigan Department of Education:			
School Breakfast Program	10.553		16,817
National School Lunch Program	10.555		30,590
Snacks	10.555		3,341
Subtotal - Michigan Department of Education			50,748
Passed through Michigan Department of Community Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		586,565
Total U.S. Department of Agriculture			642,942
U.S. Department of Housing and Urban Development			
Passed through the City of Battle Creek:			
Community Development Block Grant/Entitlements Grants	14.218	MSC-97-0774-HO	18,364
Passed through the Michigan State Housing Development Authority:			
Community Development Block Grant	14.228	MSC-2005-0774-HC	44,753
Total U.S. Department of Housing and Urban Development			63,117
U.S. Department of Justice			
Direct Award - Bureau of Justice Assistance			
Drug Court Discretionary Grant Program	16.585	2003-DC-BX-0077	123,755
Drug Court Discretionary Grant Program	16.585	2007-DC-BX-0010	45,130
Subtotal - Direct Award - Bureau of Justice Assistance			168,885
Passed through Michigan Department of Human Services :			
Juvenile Justice and Delinquency Prevention	16.523	JAIBG-06-13001	106
Juvenile Justice and Delinquency Prevention	16.523	JAIBG-07-13001	14,078
Subtotal - Michigan Department of Human Services			14,184

Schedule of Expenditures of Federal Awards (Continued) For the Year Ended December 31, 2007

Federal Agency/Pass-Through Grantor/Program Title	CFDA#	Pass-Through Grantor # or Agreement #		ederal enditures
Oranio / 170g. min 1100	01211	11g1 00011	2p	
U.S. Department of Justice (Continued)				
Passed through Michigan Department of State Police:				
Southwest Enforcement Team	16.579	2006 DJ BX 0029	\$	21,500
Southwest Enforcement Team	16.579			8,459
Subtotal - Michigan Department of State Police				29,959
Passed through City of Battle Creek:				
Edward Byrne Memorial Justice Assistance Grant Program:	16.738	2007-F3429-MI-DJ		20,000
Passed through Michigan Supreme Court				
Calhoun County Drug Court	16.579	2006-DJ-BX-0029		74,407
Calhoun County Women's Drug Court	16.738	2007-DJ-BX-0048		7,853
Subtotal - Michigan Supreme Court				82,260
Total U.S. Department of Justice				315,288
U.S. Department of Transportation				
Passed through Michigan Office of Highway Safety Planning:				
State and Community Highway Safety:				
You Drink, You Drive, You Lose	20.600	2007-PT-07-17		4,531
You Drink, You Drive, You Lose	20.600	2008-PT-08-08		240
Click It or Ticket	20.600	2007-PT-07-17		12,151
Youth Alcohol Enforcement	20.600	2007-AL-07-10		10,431
Youth Alcohol Enforcement	20.600	2008-PT-08-08		969
Total U.S. Department of Transportation				28,322
U.S. Environmental Protection Agency				
Passed-though the Michigan Department of Environmental Quality:				
Operator Certification Expense Reimbursement Grants	66.471			1,875
U.S. Department of Health and Human Services				
Direct Program				
Consolidated Health Centers				
McKinney	93.224			201,697
Passed through Michigan Department of Community Health:				
Immunization Grants				د د د د
Immunization - IAP	93.268			61,450
Childhood Immunization Grants - VFC Provider visits	93.268			6,250
Vaccines	93.268			945,237
Centers for Disease Control and Prevention Investigations & Technical Assistance	93.283			243,372

Schedule of Expenditures of Federal Awards (Concluded) For the Year Ended December 31, 2007

		Pass-Through		
Federal Agency/Pass-Through		Grantor # or]	Federal
Grantor/Program Title	CFDA #	Agreement #	Exp	penditures
U.S. Department of Health and Human Services (Continued)				
Passed through Michigan Department of Community Health (Continued):				
Medical Assistance Program - Case Management Services	93.778		\$	35,053
HIV Prevention Activities	93.940			32,947
Maternal and Child Health Service Block Grant to States				
Local MCH	93.994			105,396
Case Management Services	93.994			17,447
Subtotal - Michigan Department of Community Health				1,447,152
Passed through Michigan Department of Human Services:				
Performance Incentive Payment	93.563			327,060
Child Support Enforcement:				
Friend of the Court	93.563	CS/FOC-07-13001		1,721,551
Friend of the Court	93.563	CS/FOC-08-13001		526,975
Prosecuting Attorney	93.563	CS/PA-07-13002		237,697
Prosecuting Attorney	93.563	CS/PA-08-13002		82,693
Subtotal - Michigan Department of Human Services				2,895,976
Total U.S. Department of Health and Human Services				4,544,825
U.S. Department of Homeland Security				
Passed through Michigan Department of State Police:				
Hazard Mitigation Grant Agreement	97.039			18,750
Homeland Security Grant Program				
2005 Homeland Security Grant Program	97.067			215,614
2006 Homeland Security Grant Program - 5th District Regional Planning Board	97.067			102,809
Emergency Management Performance Grant	97.067			24,763
Total U.S. Department of Homeland Security				361,936
Total Federal Financial Assistance			\$	5,958,305

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Calhoun County, Michigan (the "County") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. FUNDS WITH OTHER YEAR ENDS

The expenditures of federal awards of the Health Department are presented in the accompanying schedule using its fiscal year end of September 30, 2007, and are as follows:

Program Title	CFDA <u>Number</u>	<u>Amount</u>
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	\$ 586,565
Operator Certification Expense Reimbursement Grants	66.471	1,875
Consolidated Health Centers - McKinney	93.224	201,697
Immunization Grants	93.268	1,012,937
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	243,372
Medical Assistance Program	93.778	35,053
HIV Prevention Activities	93.940	32,947
Maternal and Child Health Service Block Grant to States: Local MCH Case Management Services	93.994 93.994	105,396 17,447

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 18, 2008

To the Board of Commissioners of Calhoun County Marshall, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Calhoun County*, *Michigan* as of and for the year ended December 31, 2007, and have issued our report thereon dated June 18, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Medical Care Facility Enterprise Fund, the Delinquent Tax Revolving Enterprise Fund, and the Land Bank Authority Component Unit, as described in our report on Calhoun County's financial statements. The financial statements of the Medical Care Facility were not audited in accordance with *Government Auditing Standards*. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun County, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Calhoun County in a separate letter dated June 18, 2008.

Calhoun County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Calhoun County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lobson



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 18, 2008

To the Board of Commissioners of Calhoun County Marshall, Michigan

Compliance

We have audited the compliance of *Calhoun County, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Calhoun County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Calhoun County's management. Our responsibility is to express an opinion on Calhoun County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Calhoun County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Calhoun County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Calhoun County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Calhoun County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Calhoun County as of and for the year ended December 31, 2007, and have issued our report thereon dated June 18, 2008. We did not audit the financial statements of the Medical Care Facility and the Delinquent Tax Revolving Fund, which are major funds, and therefore, separate opinion units, or the Land Bank Authority Component Unit. Those financial statements were audited by other auditors whose reports were furnished to us. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Loham

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	yes <u>X</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	X yes none reported
Noncompliance material to financial statements noted?	yes <u>X</u> no
Federal Awards	
Internal Control over major programs:	
Material weakness(es) identified?	yesX no
Significant deficiency(ies) identified not considered to be material weaknesses?	yesX none reported
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	yesXno

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	Name of Federal P	rogram or	<u>Cluster</u>
93.563	Child Support Enfo	rcement	
Dollar threshold used to distinguish between Type A and Type B p		\$300,000	
Auditee qualified as low-risk audite	ee?	X yes	no

SECTION II – FINANCIAL STATEMENT FINDINGS

2007-1 Preparation of Financial Statements in Accordance with GAAP

Criteria:

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition:

As is the case with many smaller and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the financial statements. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended December 31, 2007

Cause: This condition was caused by the County's decision that it is more cost effective

to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise

required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the

preparation of financial statements in accordance with GAAP, and instead relies,

in part, on its external auditors for assistance with this task.

Management's

response: The County has evaluated the cost vs. benefit of establishing internal controls

over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and

presentation.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

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